

Office of Attorney General Terry Goddard



STATE OF ARIZONA
DEPARTMENT OF LAW
12 75 W. WASHINGTON STREET
PHOENIX, ARIZONA 85007-2926

ANDREA M. ESQUER
PRESS SECRETARY
PHONE: (602)-542-8019

Attorney General Terry Goddard settles with Check Agencies of Arizona, Inc., dba Check Center

(Tucson, Ariz. – June 16, 2004) Attorney General Terry Goddard today announced that the Attorney General's Office entered into a consent judgment with *Check Agencies of Arizona, Inc., dba Check Center*, a Delaware Corporation, and its president, Michael S. Weinstein. *Check Agencies* and Michael S. Weinstein cooperated fully with the Attorney General's Office in this investigation.

Check Agencies is a deferred presentment company, a type of company often known as a pay day loan company, which operates five locations in Tucson. The consent judgment will prohibit *Check Agencies* from continuing predatory collection practices discovered during the investigation. In order to understand the violations – it is important to understand how these companies operate:

- Under Arizona law, a consumer in need of immediate cash could go to *Check Agencies*, write the company a check for between \$50 and \$500 plus a 15 percent fee based on the amount of the check.
- The consumer enters into a written contract to repay *Check Agencies* in cash. (IE: If a consumer needs \$300, the consumer will write *Check Agencies* a check for \$345).
- Arizona law requires *Check Agencies* to hold the consumer's check for at least five days or until the date set out in the contract (normally two weeks) before requiring the consumer to repay the amount of the check in cash or before *Check Agencies* deposits the consumer's check into the bank.
- If the consumer cannot pay the amount of the check plus the 15 percent fee in cash by the date on the contract, the consumer has the option prior to the payment due date to enter into an extension contract with *Check Agencies*. The consumer must first pay the original 15 percent fee in cash (\$45 from the example), write a new check for \$345 (the amount the consumer received plus another 15 percent fee) and enter into a new contract with *Check Agencies*.
- Arizona law allows a consumer up to three extension contracts. Under the example, if the consumer enters into three extension contracts for \$300 and pays off the contract in cash after three extensions, the consumer will have paid *Check Agencies* \$480 for the original \$300 the consumer needed.
- If the deferred presentment transaction was a simple interest loan, then the interest paid (\$180) by the consumer on \$300 would be as follows: if the loan is payable in one month, the interest amounts to 720 percent; if the loan is payable in two months, the interest amounts to 360 percent; and if the loan is payable in three months, the interest amounts to 240 percent.

According to the Attorney General's investigation, some time in 2003, *Check Agencies* began sending "Bad check" letters and making "Bad Check" calls to an unknown number of consumers who had not paid

their contracts on time. Their checks were then deposited by *Check Agencies*. If the checks were returned for non-sufficient funds, *Check Agencies* falsely and deceptively used the "Bad Check" law, threatening these consumers by telling them the following:

- *Check Agencies* was affiliated with the Pima County Attorney's Office and *Check Agencies* would report the consumers to the County Attorney's Office.
- Consumers were subject to prosecution by the Pima County Attorney's Office.
- Consumers could go to jail if they did not repay *Check Agencies*.
- Consumers could be liable for thousands of dollars in fines, other monetary amounts, and attorney fees if they did not pay off their *Check Agencies'* contract.
- The Tucson Sheriff would be out to pick up the consumers.

Under the Consent Judgment filed today, *Check Agencies* is prohibited from sending letters by mail, e-mail, fax, or in any other manner and from making telephone calls or leaving messages that state or imply that consumers are subject to criminal prosecution, jail and/or any other criminal penalties if consumers' fail to repay their *Check Agencies'* contracts on time.

Check Agencies has identified a number of consumers who were sent "Bad Check" letters or made phone calls. For those consumers:

- *Check Agencies* must forgive, nullify and cancel each deferred presentment contract.
- *Check Agencies* must send a letter to all credit agencies to which it reported these consumers, advising the credit agencies to remove any statement regarding consumers' non-payment or slow payment of any *Check Agencies'* deferred presentment contract.
- *Check Agencies* must refund all monies it collected from each consumer's deferred presentment transaction contract, even if the consumer made payments prior to the date *Check Agencies* sent Bad Check letters or made phone calls.

With regard to consumers who received Bad Check letters or phone calls, but whom *Check Agencies* has been unable to identify, *Check Agencies* must:

- Send an Attorney General-approved letter, in English and Spanish, to all consumers who signed deferred presentment contracts in 2003 and whose accounts did not have sufficient funds to cover the check upon deposit, to determine whether the consumers received illegal "Bad Check" letters or phone calls from *Check Agencies*.
- If *Check Agencies* or the Attorney General's Office determines that consumers did receive "Bad Check" letters or phone calls, *Check Agencies* will nullify and forgive the consumers' deferred presentment contracts, notify credit agencies and refund the consumers all money they paid *Check Agencies* under the contracts.
- *Check Agencies* did not admit that violations of the Consumer Fraud Act. It will pay the Attorney General's Office \$20,000 for costs and fees.

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